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Housing and Community Development

16 UNITED STATES BANKRUPTCY COURT
17 NORTHERN DISTRICT OF CALIFORNIA
18 SAN FRANCISCO DIVISION

19 In re:
20 PG&E CORPORATION

21 - and -

22 PACIFIC GAS AND ELECTRIC
COMPANY,

23 Debtors.

CALIFORNIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT'S
RESPONSE TO PG&E'S OBJECTION TO
PROOF OF CLAIM NO. 56868

Bankruptcy Case
No. 19-30088 (DM)

Chapter 11

(Lead Case)

(Jointly Administered)

- 26 ☐ Affects PG&E Corporation
27 ☐ Affects Pacific Gas and
Electric Company
28 ☒ Affects both Debtors

Date: July 28, 2021
Time: 10:00 a.m.
Ctm: 17
Judge: Dennis Montali

1 The California Department of Housing and Community Development (Department), a
2 creditor in the above-referenced bankruptcy case (Proof of Claim No. 56868), hereby submits this
3 response to the Ninety-third Omnibus Objection to Claims (No Legal Liability Claims) (Dkt.
4 10808) filed by PG&E Corporation and Pacific Gas and Electric Company (collectively, PG&E).¹

5 INTRODUCTION

6 The Department's mission is to promote safe, affordable homes and inclusive, sustainable
7 communities for all Californians. To achieve this end, the Department works to increase the
8 supply of affordable housing, including protecting and regulating the use, construction, sales,
9 occupational licensing, registration, and titling of mobilehomes, manufactured homes, and
10 commercial modulars. Commercial modulars are transportable structures designed and equipped
11 for human occupancy for industrial, professional, or commercial purposes. The Department
12 regulates the titling and registration for commercial modulars pursuant to the Manufactured
13 Housing Act of 1980 (Manufactured Housing Act). The Manufactured Housing Act created a
14 separate specialized statutory scheme for registration and titling of mobilehomes and commercial
15 modulars and provides for the establishment of "permanent title record" and for the "issuance of
16 certificate of title," both of which contain current listings of all security interests. *See, T&O*
17 *Mobilehomes Inc. vs. United California Bank*, 40 Cal. 3d 441, 454 (1985). In this way, the
18 Department acts similarly to how the California's Department of Motor Vehicles acts when it
19 manages titling and registration for automobiles. *Id.*

20 The Department's claim is based on PG&E's failure to pay the registration renewal fees
21 for 92 commercial modulars between 1998 and 2018. As the registered owner of commercial
22 modulars, PG&E must pay annual registration and licensing renewal fees. Failure to pay these
23 fees results in additional fees and penalties. After 120 days of delinquency, the Department is
24 authorized to assess a delinquency fee and place a lien on the commercial modular record title in
25 favor of the State of California. Once the lien is placed on the record title, the Department of
26 Housing is prohibited by the Manufactured Housing Act from amending the permanent title

27 ¹ The Department reserves all rights to supplement this brief with additional legal argument and
28 evidence to the extent PG&E raises additional grounds or arguments with regard to the
Department's claim.

1 record, issuing any new or duplicate certificate of title or registration, or processing a sale or
2 transfer of ownership, until the outstanding fees and penalties are paid.

3 PG&E objects to the Department's claim by relying on California Code of Civil Procedure
4 section 338(a), which lists the statute of limitations for statutory liens as three years, and section
5 340(b), which lists the statute of limitations for a penalty owed to the state as one year. The Court
6 should overrule PG&E's objection because the Manufactured Housing Act, and not the Code of
7 Civil Procedure, applies to the liens at issue here. The Manufactured Housing Act is a specific
8 statutory scheme designed to protect the economical transfer of registration and title for
9 manufactured homes and commercial modular (Cal. Health & Safety Code, § 18075 subd. (b)),
10 whereas the Code of Civil Procedure is a statute of general application. And in order to fulfill the
11 Legislature's intent to provide for an orderly and economical transfer of registration and titling,
12 the Manufactured Housing Act cannot be read to include a statute of limitations.

13 **RELEVANT FACTUAL BACKGROUND**

14 Between June 1998 and December 2018, the registrations expired on 92 commercial
15 modulars owned by and registered to PG&E. (Proof of Claim No. 56868.) After 120 days of
16 delinquency, penalties accrued and the Department placed liens on the commercial modulars'
17 record title pursuant to Health and Safety Code section 18116.1, subd. (b). *Id.* One of the highest
18 amounts owed is \$5,089.00 for a single commercial modular with a registration that expired in
19 1999, and the lowest amount owed is \$261.00 for a single commercial modular with a registration
20 that expired in 2018. *Id.* The total amount owed by PG&E is \$330,432.00. *Id.*

21 The Department filed a timely proof of claim in the amount of \$330,432.00 (Proof of
22 Claim no. 56868). PG&E filed an objection seeking to reduce the Department's claim. (93rd
23 Omnibus Obj., Dkt. No. 10808). PG&E's objection relies solely on a statute of limitations
24 defense. (*Id.*). PG&E argues that the three-year statute of limitations provision for statutory liens
25 in California Code of Civil Procedure section 338(a) and the one-year statute of limitations
26 provision for statutory penalties in California Code of Civil Procedure section 340(b) reduce the
27 Department's claim. (93rd Omnibus Obj., Ex. 1C & 2A, Dkt. No. 10808). PG&E does not object
28 to the portion of the claim that PG&E concedes is not barred by the one- and three-year statute of

1 limitations, but PG&E does not calculate that amount. (93rd Omnibus Obj., p. 5, fn. 3).

2 ARGUMENT

3 I. THE MANUFACTURED HOUSING ACT PREVAILS OVER THE CODE OF CIVIL 4 PROCEDURE AS THE MORE SPECIFIC AND MORE RECENT STATUTORY SCHEME

5 California law determines the statute of limitations in this matter. *In re Vortex Fishing*
6 *Sys.*, 277 F.3d 1057, 1069 (9th Cir. 2002). Under California law, “[i]f conflicting statutes cannot
7 be reconciled, later enactments supersede earlier ones, and more specific provisions take
8 precedence over more general ones.” *Collection Bureau of San Jose v. Rumsey*, 24 Cal. 4th 301,
9 310 (2000) (*Rumsey*). “Statutes must be construed with reference to the entire statutory scheme of
10 which they are a part so as to harmonize their effect in conformity with legislative intent.”
11 *Orange Unified Sch. Dist. v. Rancho Santiago Cmty. Coll. Dist.*, 54 Cal. App. 4th 750, 757
12 (1997). Courts construe each statute in accordance with its plain language. *Rumsey*, 24 Cal. 4th at
13 310. And “where statutory language is clear, there is no need to resort to any other indicia of
14 intent.” *In re Marriage of Cutler*, 79 Cal. App. 4th 460, 475 (2000), as modified (Apr. 14, 2000).

15 A. The Manufactured Housing Act is more specific to the Department’s proof 16 of claim than the Code of Civil Procedure

17 “In seeking to determine which statute of limitations was intended to govern on facts such
18 as those before [it], [the court’s] goal is to discern the probable intent of the Legislature so as to
19 effectuate the purpose of the laws in question.” *Rumsey*, 24 Cal. 4th at 309-10. And when an
20 irreconcilable conflict exists between statutes, courts apply the statute that is more specific to the
21 case at hand. *See Id.* at 310.

22 *Rumsey* involved the liability of a widower for the hospital bills of his deceased wife. *Id.*
23 The Supreme Court of California found that Probate Code provisions specifically prescribing a
24 one-year statute of limitations regarding the liability of decedents to be more specific than the
25 Code of Civil Procedure section that prescribed a general four-year limitations period applicable
26 to all open book accounts. *Id.* at 313. In making this ruling, the Court “[examined] the statutes in
27 their context and with other legislation on the same subject” and “in accordance with [each
28 statute]’s plain language.” *Id.* at 310; *Orange Unified Sch. Dist.*, 54 Cal. App. 4th at 757. In

1 looking at legislation on the same subject, the California Supreme Court noted that if it applied
2 the more general statute of limitations set forth in the Code of Civil Procedure, it would lead to an
3 anomalous result not intended by the Legislature, in short, one that would thwart the strong public
4 policy of expeditious estate administration. *Rumsey*, 24 Cal. 4th at 312. The Court therefore
5 applied the more specific provisions in the Probate Code to avoid the anomalous result. *Id.* at 313.

6 Here, the provisions of the Manufactured Housing Act are more specific to the liens
7 created by them and to what can extinguish those liens. The Manufactured Housing Act is a
8 specific statutory scheme designed to provide an orderly and economical transfer of registration
9 and title for manufactured homes and commercial modulars. Cal. Health & Safety Code § 18075.
10 The Manufactured Housing Act also includes the authority to establish a schedule of fees and
11 penalties to pay the costs of administration and enforcement. *Id.* Under the Manufactured
12 Housing Act, the failure to pay these mandatory fees results in a lien in favor of the State of
13 California. Cal. Health & Safety Code, § 18116.1. On the other hand, Code of Civil Procedure
14 sections 338(a) and 340(b) are general statutes applicable to all statutory liens and penalties paid
15 to the State.

16 A plain reading of the Manufactured Housing Act shows that there is no statute of
17 limitations regarding a lien incurred for failure to pay fees required by the Manufactured Housing
18 Act. Section 18116.1(b) states that liability starts with the original registration and continues to
19 accrue regardless of any other statute:

20 *[n]otwithstanding any other provision of law, the lien provided for in subdivision*
21 *(a) shall include all fees and penalties due and unpaid beginning with the fees for*
22 *original registration that became delinquent for 120 days or more and continue*
23 *to accrue to include all fees and penalties that subsequently become due and*
24 *remain unpaid.*

25 This section specifically disregards the statute of limitations prescribed by California Code of
26 Civil Procedure section 338 when it states “notwithstanding any other provision of law.” In
27 addition, the section does not contemplate that the amount owed under the lien would be reduced
28 after a certain number of years. To the contrary, it specifically states that the lien includes all fees

1 and penalties, beginning with the *original* late fee and including *all* subsequent fees and penalties
2 that become due.

3 The Department of Housing's liens are not the only debts that do not expire under state
4 law. The Legislature has decided family law money judgments do not have a statute of limitations
5 and exist until they are paid. Cal. Fam. Code § 291, subd. (a). A previous version of section 4502
6 of the Family Code, before it became governed by Family Code section 291, stated that a
7 judgment for child support was fully enforceable until paid "notwithstanding any other provision
8 of law" and the California Supreme Court held that this phrase "signal[ed] a broad application
9 overriding all other code sections" unless it is specifically narrowed. *Cutler*, 79 Cal. App. 4th at
10 475. Thereafter, section 291 took the same meaning of "notwithstanding" and simply reworded it
11 as "enforceable until paid in full or otherwise satisfied." Cal. Fam. Code § 4502.

12 Furthermore, applying the general statutes of limitations in the Code of Civil Procedure
13 would lead to an anomalous result certainly not contemplated by the Legislature. Health and
14 Safety Code section 18116.1(c) states that "[u]ntil the amount of a lien provided for in
15 subdivision (a) or (b) *is paid to the department*, the department shall not [amend title or issue a
16 duplicate certificate of title]." The section does not contain language allowing the Department to
17 act if and when the lien expires. Therefore, if the liens expired according to the general one- and
18 three-year statute of limitations which PG&E advocates, the Department would be in a situation
19 in which it is unable to amend title for property for which the amount of liens had not been paid,
20 but for which the Department could not bring a cause of action to foreclose on the property.

21 Along the same lines, imposing the general statutes of limitation would undermine and
22 contradict Health and Safety Code section 18116.1(d)(3), which allows the Department to
23 establish a "long term payment program of up to *five* years" for any amounts owed under the
24 Manufactured Housing Act. This section further provides that the Department "may provide that
25 any amounts owing under the [long term] payment program shall constitute a lien in favor of the
26 State of California in the amount owing." The Legislature could not have meant for the lien to
27 expire after 3 years under the Code of Civil Procedure if the Department of Housing is authorized
28 to establish a long-term payment program of up to five years, and for the amounts owed under the

1 five-year payment program to constitute a lien. In this situation, section 18116.1(d)(3)'s five-year
2 payment program would essentially be a program for which only the final one or two years of
3 delinquent fees are paid. Therefore, PG&E's reading of the statutes would contravene the
4 Legislature's intent as determined by plain reading of the section 18116.1. *California Tchrs.*
5 *Ass'n v. Governing Bd. of Rialto Unified Sch. Dist.*, 14 Cal. 4th 627, 632 (1997) ("In interpreting
6 statutes, we follow the Legislature's intent, as exhibited by the plain meaning of the actual words
7 of the law, whatever may be thought of the wisdom, expediency, or policy of the act.").

8 The Manufactured Housing Act is the more specific statute and its plain language shows
9 the Legislature did not intend for the liens to expire with the passage of time. To allow such could
10 leave 92 commercial modulars with clouded titles, as the Department cannot amend the titles to
11 show future new owners. Therefore, for these particular statutory liens, PG&E may not free itself
12 of its obligation to pay the delinquent fees and penalties by simply waiting long enough.

13 **B. The Manufactured Housing Act is the more recent statute**

14 It is an established principle of statutory construction that a more recent statute will
15 govern and take precedence over an earlier provision. *Palmer v. Agee*, 87 Cal.App.3d 377, 383
16 (1978). "It is presumed that the Legislature is aware of existing laws when enacting new
17 legislation." *Id.*

18 Here, Section 18116.1(b) of Manufactured Housing Act, enacted in 1984, is the more
19 recently enacted statute. It was also the most recently amended statute, as it was last amended in
20 2019, effective January 1, 2020. Section 338 of the Code of Civil Procedure was enacted in 1872
21 and its most recent amendment became effective January 1, 2019. Section 340 of the Code of
22 Civil Procedure was also enacted in 1872. The legislature was therefore aware of the language of
23 sections 338(a) and 340(b) when it enacted section 18116.1(b) and chose to impose a statutory
24 lien that would include all fees owed "notwithstanding" the statutes of limitation in the Code of
25 Civil Procedure.

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CONCLUSION

For the forgoing reasons, the Department respectfully requests that the Court overrule PG&E’s objection to the Department’s proof of claim.

Dated: July 14, 2021

Respectfully submitted,

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1 **PROOF OF SERVICE**

2 I, Susan R. Darms, declare:

3 I am a resident of the State of California and over the age of eighteen years, and not a
4 party to the within action; my business address is 500 Capitol Mall, Suite 2250, Sacramento, CA
5 95814. On July 14, 2021, I served the within documents:

6 **CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY**
7 **DEVELOPMENT'S RESPONSE TO PG&E'S OBJECTION TO PROOF OF**
8 **CLAIM NO. 56868**

8 By Electronic Service only via CM/ECF.

9 /s/ Susan R Darms
10 Susan R. Darms